HEALTH QUALITY COUNCIL

FINANCIAL STATEMENTS

For the Year Ended March 31, 2016

PROVINCIAL AUDITOR
of Saskatchewan

INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of Health Quality Council, which comprise the statement of financial position as at March 31, 2016, and the statement of operations, statement of change in net assets and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Health Quality Council as at March 31, 2016, and the results of its operations, changes in its net assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Judy Ferguson

Regina, Saskatchewan
July 8, 2016

Judy Ferguson, FCPA, FCA
Provincial Auditor

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HEALTH QUALITY COUNCIL
STATEMENT OF FINANCIAL POSITION
(thousands of dollars)

As at March 31	2016	2015
Financial assets		
Cash	$ 1,015	$ 936
Accounts receivable	195	243
Accrued interest receivable	41	29
Short-term investments (Note 3)	5,002	6,032
	6,253	7,240
Liabilities		
Accounts payable	252	371
Payroll liabilities	140	280
	392	651
Net financial assets	5,861	6,589
Non-financial assets		
Tangible capital assets (Note 2c & Note 4)	84	79
Prepaid expenses and deposits	64	162
	148	241
Accumulated surplus	$ 6,009	$ 6,830

Contractual commitments (Note 9)

(See accompanying notes to the financial statements)

HEALTH QUALITY COUNCIL
STATEMENT OF OPERATIONS
(thousands of dollars)

For the year ended March 31	2016		2015
	Budget (Note 7)	Actual	Actual
Revenue			
Saskatchewan Health			
- Operating Grant	$ 4,968	$ 4,763	$ 4,968
- Provincial Emergency Department Waits and Patient Flow Initiative	-	9	500
- Improving Appropriateness for MRI of the Lumbar Spine	-	-	200
- Safety Alert System - Provincial Kaizen Operations Team	159	159	200
- Saskatchewan Surgical Initiative Appropriateness Project	-	130	136
University of Saskatchewan			
- Canadian Institutes of Health Research	-	25	-
- Drug Safety & Effectiveness Network	228	171	193
- Health Services Use Among Individuals with Dementia	31	-	-
- Inflamatory Bowel Disease	22	64	-
- Quality of Care Gaps for Rheumatic Disease	41	10	26
- Saskatchewan Drug Utilization & Outcome Research Team	84	146	83
- Vitamin D in Long Term Care	8	-	26
- Other	143	60	64
Canadian Respiratory Research Net (Asthma)	31	6	-
Continuous Integration Development	-	-	2
Prince Albert Parkland Regional Health	-	4	33
Quality Summit	-	-	231
Saskatoon Regional Health Authority	-	25	-
Other	-	16	6
Interest	75	85	93
Gain on Disposal of Tangible Capital Assets	-	1	4
	5,790	5,674	6,765
Expenses			
Project funding	1,935	1,077	1,487
Grants	85	70	84
Wages and benefits	5,382	4,599	4,724
Travel	304	163	233
Administrative and operating expenses	132	109	177
Honoraria and expenses of the board	135	94	90
Amortization expense	85	56	72
Rent	350	327	343
	8,408	6,495	7,210
Annual deficit	$ (2,618)	(821)	(445)
Accumulated surplus, beginning of year		6,830	7,275
Accumulated surplus, end of year		$ 6,009	$ 6,830

(See accompanying notes to the financial statements)

HEALTH QUALITY COUNCIL
STATEMENT OF CHANGE IN NET ASSETS
(thousands of dollars)

For the year ended March 31	2016	2015
Annual deficit	$ (821)	$ (445)
Acquisition of tangible capital assets	(61)	(61)
Amortization of tangible capital assets	56	72
	(5)	11
Acquisition of prepaid expense	(64)	(162)
Use of prepaid expense	162	116
	98	(46)
Decrease in net financial assets	(728)	(480)
Net financial assets, beginning of year	6,589	7,069
Net financial assets, end of year	$ 5,861	$ 6,589

(See accompanying notes to the financial statements)

HEALTH QUALITY COUNCIL
STATEMENT OF CASH FLOWS
(thousands of dollars)

For the year ended March 31	2016	2015
Operating transactions		
Annual deficit	$ (821)	$ (445)
Non-cash items included in annual deficit:		
Amortization of tangible capital assets	56	72
Net change in non-cash working capital items:		
Deferred revenue	-	(10)
Accrued interest receivable	(12)	37
Accounts receivable	48	12
Prepaid expenses	98	(46)
Accounts payable	(119)	192
Payroll liabilities	(140)	(15)
Cash used by operating transactions	(890)	(203)
Capital transactions		
Cash used to acquire tangible capital assets	(61)	(61)
Proceeds from disposal of capital assets	1	-
Cash applied to capital transactions	(60)	(61)
Investing Transactions		
Purchases of investments	(6,001)	(11,096)
Proceeds from disposal/redemption of investments	7,030	11,892
Cash provided/(used) by investing transactions	1,029	796
Increase/(Decrease) in cash and cash equivalents	79	532
Cash and cash equivalents, beginning of year	936	404
Cash and cash equivalents, end of year	$ 1,015	$ 936

(See accompanying notes to the financial statements)

HEALTH QUALITY COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2016

1. Establishment of the Council

The *Health Quality Council Act* was given royal assent on July 10, 2002 and proclaimed on November 22, 2002. The Health Quality Council (HQC) measures and reports on quality of care in Saskatchewan, promotes continuous quality improvement, and engages its partners in building a better health system. HQC commenced operations on January 1, 2003.

2. Accounting Policies

Pursuant to standards established by the Public Sector Accountants Standards Board (PSAB) and published by Chartered Professional Accounts (CPA) Canada, HQC is classified as an other government organization. Accordingly, HQC uses Canadian generally accepted accounting principles applicable to public sector. A Statement of Remeasurement Gains and Losses has not been prepared as the fund does not have any remeasurement gains or losses. The following accounting policies are considered significant.

a) Operating Revenues and Expenses

For the operations of HQC, the primary revenue is contributions from the Saskatchewan Ministry of Health (Ministry of Health). Other sources of revenue include conference registrations, interest and miscellaneous revenue.

Unrestricted contributions are recognized as revenue in the year received or receivable if the amount can be reasonably estimated and collection is reasonably assured. Restricted contributions are deferred and recognized as revenue in the year when related expenses are incurred. Interest earned on restricted contributions accrues to the benefit of the restricted program.

Government transfers/grants are recognized in the period the transfer is authorized and any eligibility criteria is met.

b) Measurement Uncertainty

The preparation of financial statements in accordance with PSAB accounting standards requires HQC's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of commitments at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

c) Tangible Capital Assets

Tangible capital assets are reported at cost less accumulated amortization. Purchases valued at $1,000 or greater are recorded as a capital asset. Leasehold improvements are amortized over the length of the original lease. The current lease has been extended to December 31, 2018. Amortization is recorded on a straight-line basis at rates based on estimated useful lives of the tangible capital assets as follows:

Office Furniture	10 years
Office Equipment	5 years
Computer Hardware	3 years
Computer Software	3 years
Leasehold Improvements	life of lease

Normal maintenance and repairs are expensed as incurred.

d) Investments

Investments are value at amortized cost.

3. Short-Term Investments

HQC held investments in the amount of $5,001,830 as described below at March 31, 2016. The current investments are short-term, held for a period of one year or less.

	2016	
	Carrying Value (000's)	Interest Rate
Term Deposits		
Raymond James	$ 250	1.50%
Raymond James	$ 500	1.70%
Raymond James	$ 500	1.70%
Raymond James	$ 500	1.50%
Raymond James	$ 700	1.45%
Raymond James	$ 750	1.50%
Raymond James	$ 502	1.40%
Raymond James	$ 400	1.40%
Raymond James	$ 400	1.57%
Raymond James	$ 500	1.30%
Total Investment	**$ 5,002**	

4. Tangible Capital Assets

The recognition and measurement of tangible capital assets is based on their service potential.

	Office Furniture & Equipment	Computer Hardware & Software	Leasehold Improvements	2016 Totals	2015 Totals
	(thousands of dollars)				
Opening cost	$ 213	$ 608	$ 70	$ 891	$ 882
Additions	4	57	-	61	61
Disposals	(8)	-	-	(8)	(52)
Closing cost	209	665	70	944	891
Opening accumulated amortization	178	572	62	812	792
Annual Amortization	11	42	3	56	72
Disposals	(8)	-	-	(8)	(52)
Closing accumulated amortization	181	614	65	860	812
Net book value of tangible capital assets	$ 28	$ 51	$ 5	$ 84	$ 79

5. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown Corporations, ministries, agencies, boards, and commissions related to HQC by virtue of common control by the Government of Saskatchewan, and non-crown corporations and enterprises subject to joint control or significant influence by the Government of Saskatchewan (collectively referred to as "related parties"). Other transactions with related parties and amounts due to or from them are described separately in these financial statements and notes thereto.

Routine operating transactions with related parties are recorded at the agreed upon rates charged by those organizations and are settled on normal trade terms.

Related Party Transactions (cont'd)

Below are the revenue and expenses from the related parties for the year and the account balances at the end of the year.

	2016	2015
	(thousands of dollars)	
Revenue		
Capital Pension Plan	$ -	$ 10
Ehealth	2	-
Ministry of Health	4,763	4,968
Ministry of Health – Grant Funding	289	1,049
Regional Health Authorities	51	98
Saskatchewan Workers' Compensation	4	-
University of Saskatchewan	460	367
Expenses		
Capital Pension Plan	42	241
Ministry of Finance	3	19
Public Employees Pension Plan	200	-
Regional Health Authorities	446	527
Saskatchewan Health Research Foundation	63	63
Saskatchewan Opportunities Corporation (operating as Innovation Place)	369	402
Saskatchewan Workers' Compensation	6	11
SaskTel	7	8
University of Saskatchewan	31	145
Other	1	4
Accounts Payable		
Capital Pension Plan	-	21
Public Employees Pension Plan	47	-
Regional Health Authorities	40	57
Saskatchewan Workers' Compensation	1	5
University of Saskatchewan	21	51
Other	1	1
Accounts Receivable		
Regional Health Authorities	26	10
University of Saskatchewan	159	218

Also, HQC pays Provincial Sales Tax to the Saskatchewan Ministry of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

6. Financial Instruments

HQC has the following financial instruments: short-term investments, accounts receivable, accrued interest receivable, accounts payable, and payroll liabilities. The following paragraphs disclose the significant aspects of these financial instruments. HQC has policies and procedures in place to mitigate the associated risk.

a) Significant terms and conditions

There are no significant terms and conditions associated with the financial instruments that may affect the amount, timing, and certainty of future cash flows.

b) Interest rate risk

HQC is exposed to interest rate risk when the value of its financial instruments fluctuates due to changes in market interest rates. HQC does not have any long-term investments that may be affected by market pressures. HQC's receivables and payables are non-interest bearing.

c) Credit risk

HQC is exposed to credit risk from potential non-payment of accounts receivable. Most of HQC's receivables are from provincial agencies and the federal government; therefore, the credit risk is minimal.

d) Fair value

For the following financial instruments, the carrying amounts approximate fair value due to their immediate or short-term nature:

Short-term Investments
Accounts receivable
Accounts payable
Payroll liabilities

7. Budget

These amounts represent the operating budget that was approved by the Board of Directors – March 21, 2015.

8. Pension Plan

HQC was a participating employer in the Capital Pension Plan, a defined contribution pension plan. Eligible employees make monthly contributions of 6.35% of gross salary, which are matched by HQC. HQC's obligation to the plan is limited to matching the employee's contribution. HQC's contributions for this fiscal year were $41,530 (2015 - $241,127).

Effective June 25, 2015, HQC was transitioned to the Public Employees Pension Plan, also a defined contribution pension plan. The change over was seamless and the contributions and obligations with the changeover remained unchanged. HQC's contributions for the fiscal year were $200,445.

9. Contractual Commitments

As of March 31, 2016, HQC had the following commitments:

a) Office Rent

HQC has a lease for office space with Saskatchewan Opportunities Corporation (operating as Innovation Place). The lease has been extended to December 31, 2018. The monthly cost is $16,808 for the period of January 1, 2014 to December 31, 2018.

b) Saskatchewan Health Research Foundation (SHRF)

HQC has entered into an agreement with Saskatchewan Ministry of Health, University of Saskatchewan and Saskatchewan Health Research Foundation (SHRF) for grant administration. The agreement requires SHRF to administer funds on behalf of HQC. The agreement is effective from October 15, 2012 – October 14, 2017. The amount paid for grant administration in the current fiscal year is $60,000 (2015 - $60,000). The pricing schedule for the remaining time period is:

Period	Grant Administration
April 1, 2016 – March 31, 2017	$ 60,000
April 1, 2017 – Oct 14, 2017	$ 32,258